

Reporting period: Quarter 3, 2011-12

Corporate priority: Highways PFI Programme

Background: The condition of the Island's roads has, and remains a concern for Island residents, with a Highways Private Finance Initiative (PFI) currently being progressed as a solution. When combined with a transfer of budget from the council, the PFI is intended to deliver a 25 year programme of highway refurbishment, maintenance and operation that will provide safer roads while improving travel choice through improved roads efficiency and effectiveness. The procurement process currently being applied is anticipated to be finalised by the end of 2012, with works commencing the following spring. In the interim, the council will continue to invest in roads, pavements, footpaths and cycle routes across the Island.

See the [Isle of Wight Council Corporate Plan 2011-2013](#) for full details regarding the council's commitment to the Highways PFI programme.

Actions carried forward

1. There are no actions to carry forward.

Summary

Status: GREEN

Risk: The Highways PFI programme has an extensive risk register reviewed by the Project Director, Project Board and the Member Review Board, which is updated after each of the procurement stages and proposed mitigation actions are agreed as part of the delivery programme. At present, all identified risks continue to be managed well and there are no high (red) risks.

Finance: The project has an overall procurement stage budget of £7.6m. The delivery so far has been in line with the spend profile and there are no anticipated budget pressures at this time despite needing to carry out additional works in connection with ensuring robust data is provided to potential Service Providers

Project milestone update: The Invitation to Submit Refined Solutions (ISRS) stage was extended and submissions were received on 19 December 2011. The submissions are presently going through a detailed evaluation which will be completed at the end of February 2012 when it is the intention to de-select one of the three bidders.

Following the completion of the ISRS, an evaluation call for Final Tenders will now take place in March 2012 with selection remaining on schedule for June 2012. This schedule will allow the project to achieve financial close in September 2012 and for the contractor to begin work in April 2013 as per project plan.

| Milestone | Programmed Date | Actual Date |
|---|------------------------|--------------------|
| Issue Invitation to submit detailed solutions (ISDS) | November - 2010 | 01 November 2010 |
| Issue Invitation to submit refined solutions (ISRS) | August - 2011 | 01 August 2011 |
| Complete evaluation of refined solutions (ISRS) | February 2012 | |
| Issue Calls for Final Tender | March 2012 | |
| Select Preferred Bidder | June - 2012 | |
| Report to Cabinet regarding the outcome of competitive dialogue | September - 2012 | |
| Financial Close | November - 2012 | |
| Commence rehabilitation of road network | April -2013 | |

Milestone commentary

ISRS Dialogue & Evaluation

The ISRS stage dialogue was extended at the request of the bidders and submissions were received on 19 December 2011. There were fourteen technical, seven legal and six financial dialogue sessions with the bidders during this stage. The Isle of Wight Council has also met with the funding consortia for all three bidders including their technical, legal and financial advisors to understand the funders' positions in relation to the PFI project. There still remains significant interest for funding this project despite slowly tightening funding markets. The funders' advisors comments were complimentary and they considered the risk allocation to be appropriate and acceptable.

The council have appointed new legal advisors (Burgess Salmon LLP) who have undertaken an independent review of the Project Agreement (PA) that was issued with the ISRS and have produced a report that provides positive conclusions about the risk allocation in the PA including the following statements:-

- “It is broadly consistent with HM Treasury’s Standardisation of Project Contracts version 4”
- “It is of a level of maturity which we would expect at this stage of a competitive dialogue procedure”

Progress to Call for Final Tender (CFT)

The Call for Final Tenders will take place in March 2012 which, although later than initially planned, will still allow enough time to select a preferred bidder by June 2012 as per the original project timescales.

Programme

The dialogue timescales have been managed flexibly to balance the need for refining bidder solutions whilst meeting council's key milestones and complying with the DfT approval requirements. Any flexibility used has been carefully controlled to ensure there is no impact on the final delivery date of the project in April 2013.

A new PFI Team Contracts Programme Manager has been appointed and took up post in December 2011. Other transition appointments are being made for migrating staff from the procurement phase to establishing a contract management team.